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SUBJECT: Malaysia: Minister Yakcop Bullish on FDI Growth Prospects

1. (SBU) Malaysian Minister at Large and economic adviser to the Prime Minister (former Minister of Finance II) Nor Mohamed Yakcop spoke privately and candidly October 21 to AMCHAM members on the Najib Administration's plans to attract new foreign direct investment (FDI). Yakcop said the government was committed to improving Malaysian competitiveness in order to encourage both domestic investment and FDI. He said that the GOM needed to enhance the relationship between the government and investors in a period characterized by intense competition for a smaller investment pie. In the context of the current crisis, multinationals are consolidating production locations and Malaysia intends to gain from the reorganization, according to Yakcop. Malaysia competes with other emerging markets for high tech manufacturing investments and will pursue its "New Economic Model" of encouraging investment in knowledge-based industries in an effort to raise Malaysia to high income status by 2020. The GOM is pushing to develop and strengthen industry clusters in areas that will be drivers for Malaysia's future growth, such as Islamic Finance, downstream palm oil processing and high value added electronics. Creating regional or even global centers or clusters in key areas will provide a resilient and sustainable platform for future growth, according to Yakcop.

2. (SBU) The core areas that Yakcop listed as needing government attention to enhance Malaysia's competitiveness included: addressing business's concerns; removing regulatory and administrative impediments to FDI; improving infrastructure such as the provision of high speed broadband internet services; increasing the supply of English-educated skilled labor; and reforming restrictive labor importation laws. He cited recent investment liberalization measures announced by PM Najib as evidence of GOM intentions to improve its investment climate. Yakop also noted rising costs for corporate security to protect assets and personnel and assured US firms of the government's highest-level commitment to reduce increasing crime rates. He commented that the Deputy Prime Minister is leading the effort to reform Malaysia's education system and improve the quality of its graduates to ensure they meet the requirements of international companies investing in Malaysia. Yakcop added that the crisis has accelerated the trend of global growth centered in Asia - particularly in China, India, Indonesia, and the Middle East. He said he believed Malaysia was well positioned to take advantage of changing growth trends if it remains adaptive to the changing global environment and builds strong symbiotic regional government-to-government relationships.

KEITH